

## Message Text

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PAGE 01 STATE 229085  
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EUR/EE:DTLONGO

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TO USMISSION USNATO  
INFO AMEMBASSY BUDAPEST

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E.O. 11652: GDS

TAGS: 'ATO, EEC

SUBJECT: EC-NINE ANALYSIS: THE SITUATION IN HUNGARY

REFS: (A) NATO 6871 (B) NATO A-192

1. FOLLOWING ARE DEPARTMENT COMMENTS ON EC-9 PAPER "THE

SITUATION OF HUNGARY', KEYED TO TITLED MAIN SECTIONS AND  
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PAPER WHICH COULD PROFITABLY BE DISCUSSED.

2. NEM AND THE ECONOMY:

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ORIGINALLY ENVISIONED, INTER ALIA, BY NYERS HIMSELF.

B. IN SUBSECTION 3, THE SECOND SENTENCE WOULD MORE ACCURATELY READ: "CLOSE TO 50 PERCENT...," RATHER THAN A FLAT 50 PERCENT.

C. IN THE 2ND SENTENCE OF SUBSECTION 4, IT IS ERRONEOUS TO STATE THAT THE NEGATIVE TRADE BALANCE WITH THE USSR IS "PERMANENT" OR THAT THE TRADE DEFICIT WITH THAT COUNTRY HAS BECOME A "SERIOUS" PROBLEM FOR HUNGARY. THE SOFT-CURRENCY TRADE DEFICIT SUSTAINED BY HUNGARY (OR ANY CEMA COUNTRY, FOR THAT MATTER) VIV-A-VIS THE SOVIET UNION IS NOT VIEWED WITH ALARM IN HUNGARY OR IN THE WEST; ON THE CONTRARY, IT IS REGARDED--THOUGH NOT SO PUBLICIZED--AS A FORM OF SOVIET CREDIT AND THEREFORE ADVANTAGEOUS TO THE COUNTRY IN DEFICIT. IT SHOULD ALSO BE NOTED THAT IN 1977 HUNGARY SUCCEEDED IN REDUCING ITS TRADE DEFICIT WITH THE USSR FOR THE SECOND CONSECUTIVE YEAR.

3. BACKGROUND TO HUNGARY'S FOREIGN POLICY:

IN SUBSECTION 2, THE NUMBER OF SOVIET TROOPS STATIONED IN HUNGARY IS ABOUT 60,000 MEN (1978).

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4. HUNGARY, THE SOVIET UNION AND EASTERN EUROPE:

A. IN SUBSECTION ONE THE WORDS "CREATED A" SHOULD BE REPLACED WITH THE PHRASE "REINFORCED THE ALREADY"-- TO REFLECT THE FACT THAT FEELING OF RESENTMENT AGAINST THE SOVIET UNION IS TRADITIONAL AND CERTAINLY PREDATES THE 1956 REVOLUTION.

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D. WE BELIEVE THE SOVIET "ACCEPTANCE" OF HUNGARIAN MEAT ORIG-NALLY DESTINED FOR THE EEC IN SUBSECTION 2 WAS MUCH LESS A SIGN OF SOVIET "TOLERANCE" THAN AN ECONOMICALLY SOUND AND MUTUALLY ADVANTAGEOUS MOVE ON MOSCOW'S PART.

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A. CONCERNING KADAR'S VISIT TO AUSTRIA, (SUBSECTION 2), WE THINK IT IS IN ERROR TO CHARACTERIZE RELATIONS BETWEEN THE TWO COUNTRIES AS "PERHAPS THE MOST STRAINED SINCE 1956." RATHER THE VISIT WAS WIDELY AND CORRECTLY SEEN AS A BENCHMARK OF THE PROGRESS MADE IN REESTABLISHING THE TRADITIONAL AND HISTORICAL TIES BETWEEN THE TWO NEIGHBORING COUNTRIES DESPITE THE FACT THAT THEIR RELATIONS WERE INDEED SEVERELY STRAINED IN THE IMMEDIATE POST-1956 PERIOD. IN ADDITION, THE VISIT WAS ALSO SIGNIFICANT, IN RETROSPECT, BECAUSE IT WAS THE FIRST OF A SERIES OF OFFICIAL VISITS TO WEST EUR?PEAN

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WARSAW PACT MEMBER AND A WESTERN COUNTRY SHARING A COMMON BORDER.

B. THE WORK "REFUGEES" (SUBSECTION 3) MIGHT BE CHANGED TO "RETREATING HUNGARIAN ARMY UNITS"; THE FOLLOWING SENTENCE SHOULD BEGIN "FOR DECADES, IT WAS ONE OF THE MAJOR BONES..."

6. GENERAL COMMENTS:

BY WAY OF MORE GENERAL COMMENTS, THE FOLLOWING AREAS NOT TOUCHED IN THE PAPER MIGHT, IN OUR VIEW, HAVE MERITED APPROPRIATE TREATMENT:

--THE IMPORTANT ROLE PLAYED BY AGRICULTURE IN THE RISE OF THE LIVING STANDARD (SOMETHING OF A UNIQUE SITUATION IN EASTERN EUROPE AND CERTAINLY A CONTRAST WITH THE SITUATION IN POLAND) AND INDEED, ITS CONTRIBUTION TO THE SUCCESS OF THE NEM.

--THE SECTION UNDER "DISSIDENTS" WOULD HAVE BENEFITED FROM A FULLER ASSESSMENT OF THE REASONS BEHIND THE ABSENCE OF ACTIVE DISSIDENCE, E.G., THE LACK OF FORMAL CENSORSHIP, THE RELATIVE FREEDOM TO TRAVEL (INCLUDING TO THE WEST), THE RISING "TIDE" OF NATIONAL AWARENESS, AND, AS ONE OF THE MORE INTERESTING MANIFESTATIONS OF THIS AWARENESS, THE GOVERNMENT'S CULTIVATION OF ETHNIC

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HUNGARIANS IN THE WEST AND IN NEIGHBORING COUNTRIES. THE LATTER DEVELOPMENT, OF COURSE, HAS POTENTIALLY SERIOUS IMPLICATIONS FOR HUNGARO-ROMANIAN RELATIONS THAT ARE OF CONCERN TO KADAR. OF COURSE, THE KADAR REGIME DOES FIGHT AGAINST "BOURGEOIS NATIONALISM," AS WAS POINTED OUT CORRECTLY, BUT THIS IS ONLY PART OF THE STORY; A MUCH MORE SIGNIFICANT AND NOVEL DEVELOPMENT IS THE EXTENT TO WHICH TRADITIONAL NATIONAL SENTIMENTS HAVE BEEN ALLOWED TO BREAK THROUG; THE VENEER OF IDEOLOGICAL DOGMA IN ALL WALKS OF LIFE IN THE RECENT PAST. TO BE SURE, THIS PHENOMENON IS BEING CLOSELY WATCHED AND EVEN SHAPED BY THE REGIME IF ONLY TO ENSURE THAT IT DOES NOT GET OUT OF HAND; MOREOVER, IF KEPT WITHIN ACCEPTABLE LIMITS -- AS IT HAS BEEN THUS FAR -- KADAR STANDS TO REAP CONSIDERABLE BENEFIT FROM IT.

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FM SECSTATE WASHDC  
INFO AMEMBASSY BRUSSELS 0000

C O N F I D E N T I A L STATE 229085

FOR USEEC

FOLLOWING REPEAT STATE 229085 ACTION USNATO INFO BUDAPEST  
DATED SEPT 9, 1978.

QUOTE: C O N F I D E N T I A L STATE 229085

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## Message Attributes

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